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AUTHOR Alexander, F. King
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ABSTRACT

This paper examines the trend toward demanding increased accountability and efficiency by institutions of higher education in the United States and Europe and its implications for the relationship between government and the college or university. It notes that such factors as limited state resources, rising educational costs, and the growing demand for accessibility and equity have generated external pressures on higher education to become more accountable to its funding sources. Examples of specific reforms in the United States are mentioned, including performance-based funding, adjustments in faculty workload policies, and development of policies related to time-to-degree and faculty-per-degree ratios. Examples of reforms in Great Britain focus on the British Education Reform Act of 1988, which began the transition of power from local education authorities to the national government. Examples of the accountability trend from continental Europe are also provided. Discussion of societal demands and the accountability movement examines the effects on higher education of massification and limits on public expenditures. The paper concludes that higher education has evolved into a foundational component of national economic growth and reflects utilitarian views of higher education in which economic values are supreme and the quantification of fiscal resources are the true measure of value. (Contains 33 references.) (DB)

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The Endless Pursuit of Efficiency: The International Movement to Increase Accountability and Performance in Higher Education

by

F. King Alexander
Assistant Professor and Coordinator of the Higher Education Program
Department of Educational Organization and Leadership
University of Illinois at Urbana-Champaign

HE 031 776

1310 South Sixth Street
College of Education
Champaign, Illinois 61820
Tele: (217) 333-2155
Fax: (217) 244-3378
E-mail: falexndr@uiuc.edu

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This paper was presented at the annual meeting of the Association for the Study of Higher Education held in Miami, Florida, November 5-8, 1998. This paper was reviewed by ASHE and was judged to be of high quality and of interest to others concerned with higher education. It has therefore been selected to be included in the ERIC collection of ASHE conference papers.

The Endless Pursuit of Efficiency: The International Movement to Increase Accountability and Performance in Higher Education

During the last decade, dramatic changes have emerged in the way governments interact with higher education institutions in Europe and in the United States. Governmental authorities are no longer as receptive to the traditional self-regulatory processes that have dominated university development for centuries. A new economic motivation is driving governments to redefine relationships by pressuring institutions to become more accountable, more efficient, and more productive in the use of publicly generated resources. Earlier attempts by states to measure institutional productivity and efficiency have generally, been met with passive resistance or benign neglect in academic circles. While this response still prevails in many institutions, an increasing number of educational leaders are now demonstrating an awareness that maintaining the status quo is no longer a viable option for higher education. Barnett observes that our higher education systems have entered, "the age of disenchantment" and "society is not prepared to accept that higher education is self-justifying and wishes to expose the activities of the secret garden. With greater expectations being placed on it, higher education is being obliged to examine itself or be examined by others."[1] This conclusion reflects the increasing societal requirement that higher education must become more responsive to the emerging economic needs of a global market.

As part of the changing relationship between government and higher education, the state is demanding that higher education play a pivotal role in transforming the existing low-wage economic structures into high performance, technology-based economies. Governments are counting on many forms of tertiary education to augment learning skills and improve workers' ability to develop and use technology, thus, increasing productivity and strengthening the state's economic position in the global marketplace. According to former U.S. Secretary of Labor, Ray Marshall, "Education is the crucial element in this transformation process. It can no longer be considered apart from the state's overall economic strategies."[2] Marshall is inferring that education is an essential component of a nation's economic investment strategy. In a competitive and global environment, increasing educational investment to produce a highly educated and skilled workforce is a vital element for future economic growth. Without this investment and reliance on education, the competitive status of a nation will substantially deteriorate in the coming years.

Today, the world economy is changing the state's economic and educational needs more rapidly than ever before. In the United States and Europe, governments are being urged to adapt to a new economic environment and to devise new strategies. The result has been a realization that to strengthen their competitive positioning, the state must increase its involvement in the development of human capital, research, and education. According to Marshall, "in this more competitive world, dominated by knowledge-intensive technology, the keys to economic success have become human resources and more effective population systems, not possible new organizations of production, not natural resources and domestic economies of scale."[3]

Colleges and universities are at the center of this knowledge-based economy. The intellectual achievements of science and technology have clearly replaced the liberal education

that dominated university curriculums for centuries. As *The Economist* observes, "in such an economy--one which ideas, and the ability to manipulate them, count for far more than the traditional factors of production--the university has come to look like an increasingly useful asset."[4]

What has emerged from these important societal developments is an increased reliance on higher education to better serve the economic needs of the state. To achieve this end, governmental organizations in the United States and Europe continue to pressure colleges and universities to demonstrate greater efficiency and accountability in the use of public resources. Budget reductions and general resource constraints have become commonplace, while institutions are being asked to serve increasing numbers of students and constituencies. The entire nature of the traditional relationship between government and higher education is in the process of significantly changing to better address the economic demands of a variety of newly empowered constituencies.

This governmental incursion has many historical precedents as governing authorities have sought to balance public funding concerns with institutional autonomy. History is replete with examples whereby governments have attempted to leverage greater control of colleges and universities in both mind and matter. Early requirements of accountability tended to be largely doctrines based on ecclesiastical pressures rather than financial considerations. Institutional and government disputes date back to the origins of western universities to the late Twelfth Century when a dramatic struggle over faculty hiring and curriculum content pitted the masters at the University of Paris against the Chancellor of Notre Dame Cathedral. Years would pass before this particularly acrimonious dispute was temporarily resolved in 1231 by Pope Gregory IX ending the dominance of the Notre Dame authorities over the University and masters' guild.[5] During the Sixteenth and Seventeenth Centuries, Oxford and Cambridge were constantly subjected to the shifting tides of governmental upheaval and encroachment. Several Acts of Parliament went so far as to prohibit the awarding of degrees to students and eliminate faculty that refused to take oaths of supremacy and obedience.[6] Accountability based on belief rather than finance periodically resulted in extreme governmental action, as it did when Henry the Eighth demonstrated a most effective means of governmental control by executing John Fisher, Chancellor at Cambridge, who disagreed with many of the monarch's governing mandates and marital escapades.[7]

While not quite as severe, colleges and universities in the United States have experienced a steady current of external control throughout their short history. According to Lucas, criticizing higher education for Americans "has always amounted to something of a national pastime."[8] Some of the nation's most historic legal struggles involved institutional resistance to state demands for greater accountability. During the 1800's the famous Dartmouth College case helped define contract law in America while the University of Michigan's highly publicized clash with the state over institutional control ensured that state governments in the United States, like its European counterparts, would periodically exercise demands of higher education institutions for greater accountability and efficiency.

The most recent accountability movement sweeping the United States and Europe has pitted many universities that are staunch defenders of traditional peer review structures against governmental regulation premised on perceptions of economic necessity. The conflict

surrounding this issue was best defined in 1990 by the British Committee of Public Accounts, which after an internal review of English public universities, expressed concern about the nature of autonomous governance, stating that "we do not accept that their [the universities'] independence and autonomy, although undoubtedly valuable in many respects, is a valid argument against the attempts to defend against the shortcomings in realistic and effective management and control of the public funds on which universities are dependent."[9]

Despite unparalleled economic and scientific achievements attributable to higher education during the last three decades, public dissatisfaction with colleges and universities has continued to permeate legislative halls throughout the United States and other OECD countries. The torrent of popular criticism has forced many institutions to reexamine their educational missions and to devise new funding alternatives. These developments place arduous burdens on higher education systems as government's attempt to monitor educational quality while insisting on greater accessibility.

International Pervasiveness of Institutional Performance Requirements

Since the mid-1980's, the issue of accountability has played an increasingly important role in redefining the relationship between the state and higher education in both Europe and the United States. Many educational leaders have attributed this to an increased external interest in the educational quality, productivity, and effectiveness of public universities and colleges. Increasing competition for limited state resources, rising educational costs, and growing demands for accessibility and equity have all been factors in generating external pressure on higher education to become more accountable to its funding sources.

Issues dominating higher education policy debates during the last five years alone have focused on quality measurements, performance indicators, report cards, institutional comparisons, national education goals, outcome assessments, enrollment growth, faculty workload and time-to-degree policies, and centralization of governance and funding structures. The nature of the state's relationship with higher education has evolved from one of authoritative oversight, to one of active involvement in financial arrangements and economic decisions. This represents a significant change in governmental expectations of higher education. As Van Ginkel observes, "universities are being urged to help strengthen the competitive position on the global marketplace not only of their region, but also of their country. . ."[10] Institutions in both the United States and Europe are now more than ever before expected to contribute to the attainment of economic, social, and cultural advancement.

Reforms in the United States

Higher education in the United States has witnessed a substantial change in its relationship with individual states over the last decade. Because federal involvement in higher education is primarily limited to direct student aid, research funding, and certain categoricals, state governments have inherited a leading role in reform through policies aimed at improving institutional accountability. Although the relationship varies from state to state, state governments typically provide around thirty-five percent of operational funding to public higher

education institutions. How and where these resources are spent continues to be increasingly scrutinized by legislatures attempting to get more value from existing resources.

Van Vught observes that "the United States was instrumental in starting the movement toward greater accountability."[11] In 1978 the State of Tennessee first addressed systemized accountability by establishing a series of performance or incentive funding initiatives that began shaping a higher education funding structure based on measurable outcomes. The Tennessee system was established as a performance-based funding approach that allowed the state to allocate a percentage of institutional resources based on predetermined governmentally generated priorities. Today, the performance-based funding system continues to be used by the State of Tennessee and constitutes approximately 5.4 percent of all resources allocated to public colleges and universities.[12]

As national interest grew in performance-based systems, other states adopted performance funding policies in addition to various state and, even more important, federal mandates that require institutions to implement certain change processes. In the early 1990s states began formulating policies linking some funding for colleges and universities to their achievements on pre-determined goals and objectives. By 1996, approximately 17 states had adopted some form of performance indicator system where performance funding or budgeting was incorporated into state appropriation formulas.[13] Of these, South Carolina is the only state to use the performance funding scheme as the primary vehicle for allocating nearly 100 percent of public resources to colleges and universities.

The recent interest in performance funding in public higher education has emerged as a result of growing public concern for accountability and a decrease in tax support for colleges and universities. As McKeown observes, "many states are either beginning to use or are considering performance funding, which is a natural outgrowth of the current public demand for the most effective use of tax dollars."[14] Although most states have initiated numerous changes aimed at improving the quality of higher education, performance funding is the only budgetary reform to date that directly links financial incentives to achieved results in policy areas states consider important.

Along with performance-based funding initiatives, states and governing authorities have adopted a series of additional accountability mechanisms devised to provide governments with comparative institutional data. Concerns about faculty productivity emanating from governing authorities and legislatures have led to adjustments in faculty workload policies in more than thirty states.[15] Information related to workload reporting and standards, instructional and research oriented workloads, and total faculty activities are increasingly being generated and monitored by external audiences. This enhanced governmental interest in workload issues represents an increasing demand for developing comparative institutional data that measures faculty and institutional productivity.

Post-tenure review policies are also being implemented on public campuses in many states as interest increases in the monitoring of the effectiveness of tenured faculty. In Wisconsin, Michigan, Minnesota, and Virginia, public universities have been pressured to adopt post-tenure review systems to address growing public concerns about the value of tenure.

Another manifestation of the new pursuit of efficiency is found in growing governmental interest to develop policies that decrease the time it takes students to complete their degrees. Policies related to time-to-degree and faculty per degree ratios are being used in several states such as Florida, North Carolina, and Indiana to force institutions to increase the number of students participating in higher education, while creating a corresponding pressure to reduce the time it takes to complete degrees.

In most instances, states have tended to increase the accountability of their higher education systems by implementing an array of measures that attempt to determine what is called "value for resources." Ewell and Jones noted four approaches commonly used by states in measuring such value. First, value-added measurements to departing students in the form of inputs, processes, and outcomes have been mandated by many state legislatures and other governing authorities. Second, efficiency measurements to assess resource usage such as faculty, space, and equipment has seen widespread adoption by governmental agencies. Third, return on investment and needs measurements have been used to determine institutional effectiveness and productivity. Fourth, an approach built on the notion of "consumerism" that is designed to measure the impact of higher education in meeting individual needs has also been commonly adopted.[16]

As thirty-eight states anticipate moderate to substantial enrollment expansion during the next decade, governing authorities and legislatures will remain focused on generating creative ways to measure the productivity and efficiency of public institutions.[17] The increase emphasis on accountability in the United States, reflected in accountability reports that focus on measurable outcomes and faculty productivity, combined with the growing movement to assess student learning as another dimension of accountability, may continue to push state governments to couple funding levels with institutional performance standards.

Reforms in Great Britain

In response to the increased drive for greater accountability, Britain has witnessed unprecedented intervention by the central government into the financial affairs of higher education. Partington refers to this governmental encroachment as a direct "legacy of Thatcherism" and the priorities that were and continue to be part of the conservative Tory philosophy.[18]

During the last decade, the relationship between the Parliament and higher education has dramatically changed and no longer resembles the governance and funding structures that were in place until the mid 1980's. With the passage of the British Education Reform Act of 1988, the initial stages of a power transformation from the Local Education Authorities to Westminister began to evolve. The Act established the foundation for the eventual centralization of fiscal authority and control, while also mandating that higher education would double its enrollment by the turn of the century without any additional publicly generated resources.

In May 1991, a Higher Education Government White Paper proposed a number of substantial changes in the current system, the most significant of which was to be the abolition of the so-called 'binary line' between the universities and the polytechnics and colleges. In its

place, a new unitary system of higher education was established with definitive funding ties to the national government.[19]

In March 1992, the Further and Higher Education Act was passed by Parliament establishing separate Higher Education Funding Councils for England (HEFCE), Scotland (SHEFC), and Wales (HEFCW). With the establishment of the HEFCE, a significant portion of higher education funding authority was effectively transferred from the Local Education Authorities (LEA's), to the central government.

Two months later, a Letter of Guidance was sent to the Chairman of the HEFCE which reaffirmed the government's changing relationship with higher education. This letter incorporated a number of important guidelines with which the Funding Councils were to abide. First, the guidelines demanded that Funding Councils develop sector-wide funding methods for allocating resources for teaching and research. Second, Funding Councils were to clearly specify what institutions are expected to provide in return for teaching and research while securing greater fiscal efficiencies as student enrollment expanded. Third, Funding Councils were to increase accountability of research funding from sector institutions. Finally, the guidelines declared the need for the maintenance and enhancement of quality by relating funding to the Council's performance assessments of teaching quality.[20]

Today, three British government departments including the Education, Employment, and the Cabinet Office are exerting unprecedented influence on the ways in which activities of universities and colleges are conducted and managed. Through the Higher Education Funding Councils, the Department of Education has designed and operates a funding system based on performance criteria and quality measures in teaching and research. Through this system of performance and quality indicators, resources are allocated based on governmentally defined guidelines. Some of the indicators reflect the growing economic needs of the state by emphasizing technical, industrial, and business oriented demands for higher education. The Employment Department continues to increase its influence in employer decisions and industrial partnerships, while the Cabinet Office has introduced a Higher Education Charter which will focus on the notion of "consumer satisfaction", and a set of obligations that the institution is expected to meet. The extent of this requirement will include consumers, students, research contractors, employers, and members of the local community.

The statement that best exemplifies the British government's philosophy for increased intervention into the mechanics and operations of higher education institutions was summarized by Salter and Tapper when they stated that "the pressures upon the state to control higher education's resources, and force it to respond to what we have called the 'economic dynamic' are overwhelming and inescapable. Modern economies require an ever-changing blend of new knowledge and educational manpower if they are to function effectively and no state can afford to leave its higher education system to its own devices."[21]

Reforms in Continental Europe

If one takes a broad view of the European continent, it is evident that higher education reform is widespread. During the last decade Western European governments have been responsible for leading a revolutionary transition from elite to mass higher education. Convinced

of the economic value of higher education to society, governments throughout Europe have attempted to meet societal demands for increasing access by providing additional places for all qualified students. The quest for new fiscal resources to meet these increasing demands has resulted in a variety of changes in the relationships between many European governments and higher education. In most cases, the dynamics encompassing these reform efforts are reflective of those that U. S. and British governmental officials have been struggling to address over the last decade. The need to rapidly expand college and university enrollments, institutional productivity, and greater accountability and efficiency in the use of existing resources, are all complex issues that represent a consistent pattern in attempting to make European universities more responsive to state needs.

Generally, European governments have increased institutional accountability by first centralizing most of the higher education funding authority at parliamentary or national levels. This has been occurring for the last decade in nations that traditionally favored more decentralized funding schemes to colleges and universities. This process allows governing agencies to secure greater fiscal controls in order to create new financial incentives and disincentives for performance-related initiatives.

In European countries that traditionally favored more centralized tertiary education funding processes such as France, Germany, and many Eastern European states, governing authorities have incorporated market principles and other economic values into higher education systems. In these new market-driven environments, institutions are being thrust into a more competitive fiscal climate that is designed to force universities to become more responsive to national economic demands and accountable for educational expenditures. As part of the tradeoff for increases in fiscal accountability, institutions are being granted greater financial flexibility to reallocate resources, charge tuition and fees, and make important financial decisions that were previously beyond the control of individual institutions.[22] For example, in Poland, Romania, and other Eastern European states, governing officials are dismantling centralized tertiary education decision making processes and adopting policies that grant greater fiscal controls to universities. In France, the Netherlands, Germany, Denmark, and Austria, universities are gaining more financial autonomy through pilot funding programs and substantial block grant allocations. Many Eastern European governments have even privatized a number of higher education institutions and established privately financed universities as part of a comprehensive approach to create more competitive tertiary education systems.[23]

These governmental initiatives represent a sea of changes in the relationship between European governments and higher education. In attempting to produce greater accountability, the state is entrusting university and institutional leaders with educational missions that are calculated to address the necessities of a national economy in a competitive global marketplace. In this more competitive model governments carefully scrutinize the overall progress and performance of universities in addressing the economic needs of the state by retaining most or all of the funding authority, despite a growing reliance on student fees. Universities, on the other hand, are expected to intensely compete for additional resources based on pre-determined performance incentives established by the state. This strategy may appear on the surface to be advantageous to institutions; however, increasing pressure to serve more students without corresponding financial support from the state has substantially limited institutions from using new funding flexibility.

Societal Demands and the Accountability Movement

Many policy-makers contend that their attempts over the last decade to compel greater institutional accountability have been fueled by higher education's inability to change to meet growing societal and economic demands. State legislators in the United States, members of Parliament in Britain, and other governing officials throughout the European continent have repeatedly attacked higher education for being locked away in its "Ivory Towers" exhibiting only reluctant adaptation to the growing economic demands of the nation and a global economy. However, not everyone is convinced that this is the real reason for the changing relationship between the state and higher education in recent years. During the last decade alone, the concept of tertiary education has radically changed to meet growing societal demands for increased equality through access, and economic productivity. As Neave observes for the Council of Europe, "for an institution supposedly reputed for its non-adaptability to 'social change', for its 'non responsiveness' and for its 'resistance to change' in general, the immobility so often ascribed to it by pamphleteers has been remarkably absent these ten years past, so much that we have swung in the opposite extreme and, taking adaptation for granted, dispute not whether the institution is capable of it but the speed at which it takes place."[24]

To believe that governmental authorities in Europe and the United States have turned to the concept of accountability as a means of forcing higher education to change is simplistic and lacks a broader understanding of economic and societal developments that have occurred during the last two decades. The 1980's and early 1990's witnessed two significant fundamental developments that have combined to stimulate an increased state-level interest in higher education. What is most intriguing about these developments, is that they are not unique to one nation, and are being experienced in the United States, Europe, and throughout the industrialized world.

Effects of Massification

The expansion of the higher education system throughout the United States during the last thirty years, and Europe during the last two decades, has been viewed by some as the most significant tertiary educational reforms of this century. In Europe, the term "massification" is traditionally employed to point out the rapid enrollment expansion of the tertiary educational system. According to *The Economist*, massification is "the biggest single change in higher education over the past two decades. Before long, it will become a normal expectation of every student in rich countries to have access to some form of postsecondary education."[25]

In the United States, enrollments in higher education have more than doubled since 1972, resulting in new institutions and widely diverse student bodies. Increasing access to higher education continues to be an important issue as seventy-six percent of the states anticipate larger secondary school completion rates and substantially higher numbers of traditional and adult students will be seeking postsecondary entrance from institutions, more access and opportunity while only moderately increasing fiscal resources. In an attempt to bring national attention to the issue of increasing postsecondary education accessibility, President Clinton declared during a Commencement Address at Princeton University in 1996 that, "I believe the clear facts of this time make it imperative that our goal must be nothing less than to make the 13th and 14th years of education as universal to all Americans as the first 12 are today."[26] This statement discloses a

growing governmental belief that the concept of 'massification' of postsecondary education is a national economic necessity for the United States.

The enrollment growth experienced mostly in public sector institutions has compelled governments to give greater scrutiny to the use of public resources. National governments across the political spectrum in Europe have been credited with providing sufficient pressures to broadly open tertiary education admissions in what heretofore were largely closed higher education systems. The results of these increased enrollment policies have been dramatic. In the major systems of Western Europe, student enrollments have risen by approximately one third since the early 1980s. As Figure 1 shows, traditional student enrollment in tertiary education as a percentage of the appropriate cohort in many OECD countries has rapidly expanded demonstrating that higher education has finally broken away from the tradition elitist practices that limited mass participation.[27] The overwhelming majority of students will continue to take advantage of the accessibility and affordability of governmentally funded institutions. The Memorandum on Higher Education in the European Community very clearly supported this conclusion and pointed out the need for expanded access in 1991, stated that:

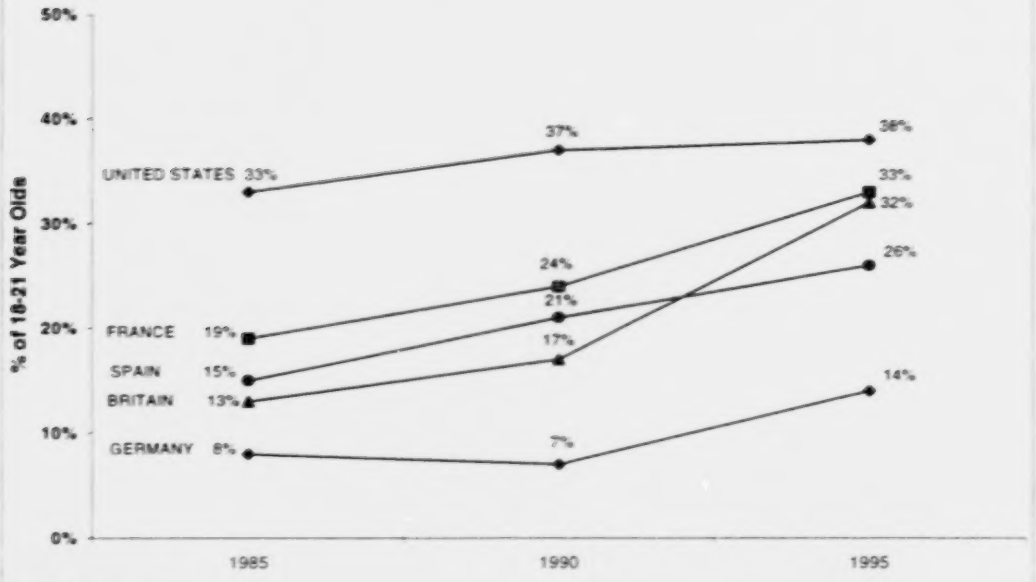
> "[p]rojections of enrollments in the past have always tended to underestimate the demand for higher studies among young people. The demand is fueled by changing social structures and cultural values as well as by the demands of the labor market for more highly educated manpower. As these factors will not only persist but will become more acute in the coming decade, an overall increase in demand for higher education would appear likely. This increase should reflect the circumstances of the new decade and show a more even growth in the participation of males and females and a greater expansion in part-time and continuing education students."[28]

As student enrollments have changed over the last decade, the composition of the student body has also changed. Substantial numbers of adult learners above the age of twenty-five are now being found in university classrooms, lecture halls, and qualifying examinations. This is reflective of the growing demand for lifelong learning in European societies. This development also reaffirms the failure of the more elitist tertiary education systems that excluded many of the current adult learners from participation at a much earlier age.

At the same time as enrollments are increasing much quicker than policy makers had anticipated basic tensions are emerging between advocates of "massification" and proponents of the older, less accessible systems of higher education. Many university academics and administrators have been swept along with the new reforms regardless of whether they agree or oppose the changes. Their concerns focus on the limited amount of public resources available in most parts of Europe and the consequent threat to the maintenance of quality in the universities. As *The Economist* observes, "the tension between the numbers and quality dominates the debate about higher education in most advanced countries."[29]

The impetus behind governmental interest in moving toward the universality of higher education is attributed to the concept of national economic growth. Universities, once portrayed as cultural training grounds for young minds, have become major agents of economic development. Global economic advantages are rapidly emerging in nations where widespread access and educational investments have become national priorities. In this environment, higher

FIGURE 1: A Decade of Massification
Tertiary Education Net Enrollment Rates for Selected OECD Nations
(Ages 18-21) %



Source: OECD Database

education is viewed as a vehicle to augment human capital to compete in the global market. For governments, the stakes have become too important to leave universities to the traditional peer review processes that dominated higher education for the past sixty years. Governments are now compelled to monitor and assess institutional performance in comparative ways and to acquire greater control of funding authority to create new fiscal incentive systems.

Limitations of Public Expenditures

The second fundamental development that has stimulated state-level interest in institutional accountability is the growing limitations on the use of public expenditures for higher education. The economic structures in Europe and the United States have affected levels of public funding for education and other social programs. Adverse macroeconomic conditions and increased competition for scarce public funds favoring areas such as medical care, public safety, and benefits for the elderly, have reduced many governments' capacity to support colleges and universities. The two trends taken together represent a sharp decline in public higher education support and per student expenditures. In the United States, government funding as a percentage of all revenue sources for higher education has consistent fallen during the last decade from 44.9 percent in 1985, to 38.2 percent in 1995.[30] In Britain, limited public support for increasing student enrollments has resulted in a 22 percent reduction in public funding per student since 1985 and a 40 percent decrease since 1976.[31]

To make matters worse, this withdrawal of public support for higher education has occurred as university costs have increased at rates that far exceed inflation. For many of higher education's political critics, postsecondary education's lowered place in the queue for public resources derives from the sense that the enterprise's costs are out of control and massive expenditures are being recklessly used to promote agendas foreign to public interests. Governing officials frequently assert that reducing public funding will not only make institutions more efficient, but more accountable to state demands.

Unfortunately, societal decisions to de-prioritize additional public funding to higher education has occurred at a time when governments have embraced the concept of massification. According to The World Bank, this development has forced "many public systems to operate with overcrowded and deteriorating physical facilities, inadequate staffing, poor library resources, and insufficient scientific equipment and instructional materials."[32] Faced with these challenges, many higher education systems have begun shifting the educational funding burden to the users or students. Governments in Poland, Britain, and France have recently announced that they would abandon the tradition of free higher education and advocate instead, increases in student charges to provide essential resources to fund more accessible higher education systems. This trend will most likely continue, as fiscal constraints force institutions to seek different funding alternatives to address government demands to serve more students with less resources.

Conclusion

For nearly two decades, pressures on the state to gain greater control over higher education resources have been overwhelming and inescapable. Driven by a 'new economic dynamic,' societies throughout the world are requiring an ever-changing combination of highly skilled workers and knowledge that only education can provide. As Salter and Tapper noted, the stakes have become far too great for nations to leave their higher education systems to their devices, and "[s]uch action would amount to an abdication of responsibility which no present-day government or its bureaucracy could tolerate either in terms of their internal organizational dynamic or in terms of the external demands upon them."[33] This governmental responsibility has emerged in policy form under the mask of accountability.

Higher education has evolved into a foundational component of national economic growth. It is being called upon to resolve the economic problems of nations without adequate investment in most circumstances. Once it has been established, that the primary purpose of higher education is to serve the economy, then it becomes the responsibility of the state to ensure that the institution is held accountable in successfully achieving this task. Governments are, however, discovering that quality universal higher education requires adequate public funding to maximize economic returns. For Americans, the challenges associated with expanding access are unlike the enrollment demands of the 1960s. Today, public resources are more closely scrutinized because policy-makers want higher education to serve more students without substantive increases in public financial support. This phenomenon is present in Europe as well as the United States. In Europe, universities are facing similar circumstances as students continue to accumulate in crowded classrooms and governments refuse to provide additional funding assistance.

In demanding greater productivity and efficiency, governments in Europe and the United States reflect a more utilitarian view of higher education. From a utilitarian perspective, economic values are supreme and the quantification of fiscal resources is the true measure of value. University leaders that are unable to define and demonstrate educational objectives and achievements in utilitarian terms will have limited success in meeting the new demands placed on higher education. These pressures do not appear to be fading as governments advance mixed messages to higher education demanding greater access and a more highly trained citizenry while limiting financial investment. In the future, university leaders will quite obviously be required to design strategies that will balance growing economic needs of the state with the educational needs of a global society.

FOOTNOTES

[1] Ronald Barnett, *Improving Higher Education:Total Quality Care* (London: The Society for Research into Higher Education & The Open University; 1992): p.16.

[2] Ray Marshall, "The Global Jobs Crisis," *Foreign Policy: The U.N. in Crisis* (Washington, D.C.: The Carnegie Endowment for International Peace, Fall, 1995): p. 62.

[3] *Ibid.*, p. 53.

[4] "A Survey of Universities: The Knowledge Factory," *The Economist* (London: October 4–10, 1997): p. 4.

[5] A. B. Cobban, *The Medieval Universities: Their Development and Organization* (London: Methuen and Co., 1975): pp.76-84.

[6] Lord Macaulay, *The History of England* (London: Washington Square Press, Inc., reprinted 1968, first published in 1848-1861): p.182.

[7] Peter Richards, "King and Martyrdom," The Cam Review (Cambridge, England: Cambridge University Press: Spring, 1995): p. 47.

[8] Christopher J. Lucas, *American Higher Education: A History* (New York: St. Martin's Griffin Press, 1994): p. 1.

[9] Committee of Public Accounts (London, DES, A1990): p. ix.

[10] Hans Van Ginkel, "International cooperation and mobility and the enhancement of quality: the modern university coming of age," *CRE-action: A University Policy for Europe*, Journal of the Standing Conference of Rectors, Presidents and Vice Chancellors, No. 104 (Geneva: 1994): p. 53.

[11] Frans Van Vught, "Towards a Quality Management Approach for Higher Education,"*CRE-action: A University Policy for Europe*, Journal of the Standing Conference of Rectors, Presidents and Vice Chancellors, No. 104 (Geneva: 1994): p. 41.

[12] Despite nearly two decades of experience with performance funding in Tennessee, limited evidence is available documenting the effectiveness and impact of performance funding on Tennessee's public institutions.

[13] See Joseph C. Burke, and Andreea M. Serban, "Performance Funding and Budgeting for Public Higher Education: Current Status and Future Prospects," (Albany, New York: The Nelson Rockefeller Institute of Government, State University of New York, 1997): 6; Susan Ruppert, (ed.). *Charting Higher Education Accountability: A Sourcebook of State-Level Performance Indicators*, (Denver, CO: Education Commission of the States, 1994).

[14] Mary P. McKeown, "State Funding Formulas for Public Four-Year Institutions" (Denver, CO: State Higher Education Executive Officers, February, 1996): p. 6.

[15] R. Hauke, "An Update on Faculty Workload Activities Among State Higher Education Systems," presented at the State Higher Education Fiscal Officers Professional Development Seminar; (August 25-27, 1994): p. 2.

[16] P. T. Ewell and D. P. Jones, "Pointing the way: indicators as policy tools in higher education." In *Charting Higher Education Accountability: A Sourcebook on State-Level Performance Indicators*, Sandra Rupert, Ed. (Denver, Co., Education Commission of the States, 1994): p. 12.

[17] *The Chronicle of Higher Education: Almanac Issue*, (August 20, 1997): p. 6.

[18] P. Partington, "Human resources management and development," *CRE-action: A University Policy for Europe*, Journal of the Standing Conference of Rectors, Presidents and Vice Chancellors, No. 104 (1994): p. 147.

[19] Gordon Davies, "Higher Education Funding, Performance and Accountability,"presented at The Oxford Higher Education Round Table on Educational Policy, (Oxford, England: August, 1995): p. 1.

[20] *Ibid.*

[21] B. Salter, and T. Tapper, *The State and Higher Education*, (Essex, England; The Woburn Press, 1994): p. 18.

[22] See *Higher Education in the Learning Society*, The National Committee of Inquiry into Higher Education, (Norwich, England; HMSO, July, 1997); Wilfried Hartmann, "Higher Education in a Federal System," in *Academic Reforms in the World: Situation and Perspective in the Massification Stage of Higher Education*, No. 10 (Hiroshima, Japan; Research Institute for Higher Education, July, 1997): pp. 83-212.

[23] Michael Shattock, "Optimizing university resources," *CRE-action: A University Policy for Europe*, Journal of the Standing Conference of Rectors, Presidents and Vice Chancellors, No. 104 (Geneva: 1994): p. 182.

[24] G. Neave, "On Perspectives and Vision: The role of the CC-PU in the higher education policies of Europe," a report published by the Council of Europe (September: 1995): p. 4.

[25] *The Economist*, p. 5.

[26] "Clinton Proposes U.S. Tax Credits For College Aid," *New York Times*, (June 5, 1996): p. A1.

[27] For the purposes of this analysis, traditional student enrollment is defined as 18 to 21 year old students.

[28] European Community Commission, "Memorandum on Higher Education in the European Community," a report published by the European Council (November 5, 1991): p. 175.

[29] *The Economist*, p. 4.

[30] National Center for Education Statistics, *Digest of Education Statistics* (Washington, D.C.: Government Printing Office, 1996).

[31] Department for Education and Employment, "The Effects of Public Funding on Higher Education Institutions," Report to the Secretary of State (London: The Joint DfEE/HE Sector Working Group, 1997).

[32] "Higher Education: Lessons of Experience," a report published by The World Bank's Education and Social Policy Department (December, 1996): p. 2.

[33] Salter and Tapper, *op cit.*, p. 18.